Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report
For the quarter ended June 30, 2014

Canada

AGRICULTURE AND AGRI-FOOD CANADA

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

Agriculture and Agri-Food Canada's Quarterly Financial Report (QFR) should be read in conjunction with the Main Estimates for the current year, as well as Canada's Economic Action Plan 2014 (Budget 2014). This report has been prepared as required by section 65.1 of the ***Financial Administration Act*** and in the form and manner prescribed by the Treasury Board. As such, it also has not been subject to an external audit or review.

Detailed information on Agriculture and Agri-Food Canada (AAFC)'s program activities can be found in the Report on Plans and Priorities.

Basis of Presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Department's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2014-2015 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Authorities

AAFC's QFR reflects the results of the current fiscal period ended June 30, 2014, for which full supply of Main Estimates was released on June 20, 2014.

AAFC continues to undergo transformational change so that it is well positioned to continue to achieve excellence in policy development and advice, program delivery and scientific expertise in Canada's agricultural sector.

At the end of the first quarter of 2014-2015, AAFC had total funding available for use of $2,254.7 million as detailed in Table 1. This amount includes the 2014-2015 Main Estimates and $1.5 million related to proceeds collected from the sale of Crown assets. The decrease of $211.4 million compared to AAFC's total authorities at the same time in fiscal year 2013-2014 is mainly due to reductions in Vote 1 Net Operating Expenditures and Vote 10 Grants and Contributions.

Vote 1 Net Operating authorities as of June 30, 2014 totalled $544.9 million, a decrease of $94.7 million from the June 30, 2013 amount of $639.6 million. This reduction is primarily due to Budget 2012 Implementation and the ending of the Agricultural Flexibility Program in 2014-2015.

Vote 5 Capital authorities at the end of the first quarter of 2014-2015 totalled $27.9 million, which are consistent with the first quarter of 2013-2014.

Vote 10 Grants and Contributions authority available for use as of June 30, 2014 of $365.4 million reflects a net decrease of $81.5 million from $446.9 million at the same time in 2013-2014. The decrease is in large part due to reduced funding for the Canadian Wheat Board's Transition Costs Program which had larger amounts of funding in the first two years of the program (2012-2013 and 2013-2014). The remainder of the decrease is primarily a result of the completion of the AgriFlexibility Program.

Budgetary Statutory authorities available as at June 30, 2014, were $1,316.5 million, a decrease of $35.2 million from the June 30, 2013 amount of $1,351.7 million. This decrease reflects a revised forecast for the Advance Payments program under the *Agricultural Marketing Programs Act* due to lower than expected interest rates in addition to lower than expected default rates. The remainder is a result of a decrease in planned contributions to employee benefit plans resulting from a decline in the number of full-time equivalents (FTEs).

Graph 1: Comparison of Authorities Available for Use

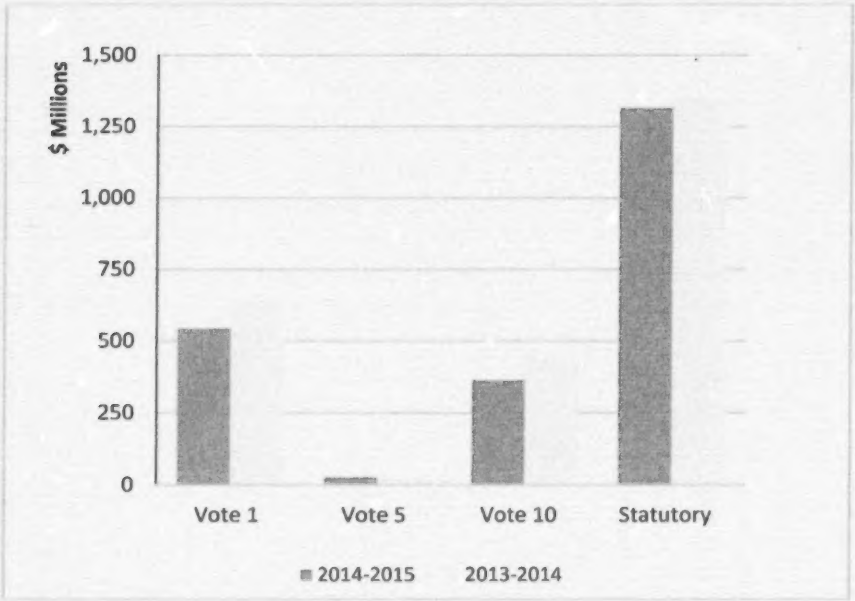

Table 1: Authorities Available for Use (In thousands of dollars) (1)

Authorities	2014-15	2013-14	Variances	%
Vote 1 - Net Operating expenditures	544,949	639,591	(94,641)	(15%)
Vote 5 - Capital expenditures	27,872	27,872	-	0%
Vote 10 - Grants and contributions	365,352	446,925	(81,573)	(18%)
Budgetary statutory authorities	1,316,490	1,351,699	(35,209)	(3%)
Total Authorities	**2,254,664**	**2,466,087**	**(211,423)**	**(9%)**

Note:
(1) Totals may not add due to rounding.

Expenditures

As detailed in Table 2, at the end of the first quarter of 2014-2015, the Department had spent $194.3 million, compared to $230.2 million for the same period in fiscal year 2013-2014. The net decrease of $35.9 million (16%) is primarily related to reduced grant payments for the AgriInvest program, and a decrease in payments in connection with the *Agricultural Marketing Programs Act*.

Vote 1 Net Operating expenditures at the end of the first quarter were $140.7 million, 26% of the total available for use of $544.9 million which is not significantly different from expenditures of $140.8 million, or 22% of the total available for the same period last fiscal year.

Vote 5 Capital expenditures at the end of the first quarter were $1.2 million or 4% of the total available for use of $27.9 million. This is also not materially different from the same period in 2013-2014 ($1.4 million or 5% of the budget of $27.9 million).

Vote 10 Grants and Contributions expenditures at the end of the first quarter of 2014-2015 were $12.1 million or 3% of the total available for use of $365.4 million. The previous year's spending was $19.8 million or 4% of the total available for use of $446.9 million. Historically, much of the Department's Grants and Contributions expenditures are recorded close to year-end when provinces make their claims based on actual expenditures.

Budgetary Statutory Authorities expenditures at the end of the first quarter of 2014-2015 were $40.2 million compared to $68.2 million for the same period of the previous year. The decrease in spending of $28.0 million is partly related to reduced payments under the AgriInvest Program due to the lower matching contribution, and partly related to a decrease in payments under the *Agricultural Marketing Programs Act*, due to a change to the timing for recording amounts related to files received but not yet verified.

Graph 2: Comparison of Expenditures

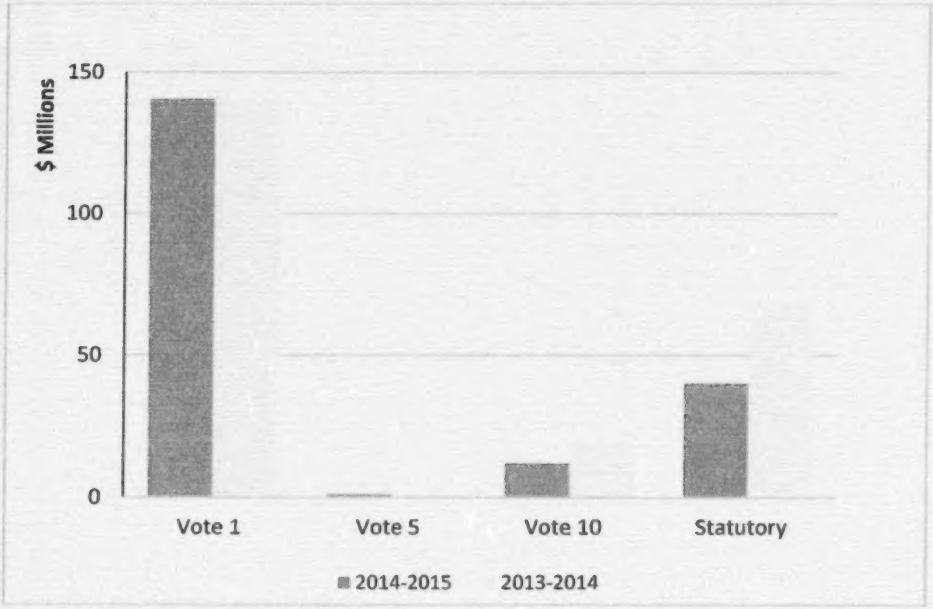

Table 2: Expenditures (In thousands of dollars) (1)

Expenditures	2014-15	2013-14	Variances	%
Vote 1 - Net Operating expenditures	140,693	140,792	(99)	0%
Vote 5 - Capital expenditures	1,213	1,431	(218)	(15%)
Vote 10 - Grants and contributions	12,106	19,755	(7,649)	(39%)
Budgetary statutory authorities	40,241	68,198	(27,957)	(41%)
Total Net Budgetary Expenditures	**194,253**	**230,176**	**(35,923)**	**(16%)**

Note:
(1) Totals may not add due to rounding.

Expenditures in Comparison to Authorities

At the end of the first quarter of 2014-2015, the Department had spent $194.3 million (9% of the total funding available for use), compared to $230.2 million for the same period in fiscal year 2013-2014 (also 9% of the authorities).

Graph 3: Comparison of Total Authorities and Total Net Budgetary Expenditures as of June 30, for fiscal years 2014-2015 and 2013-2014

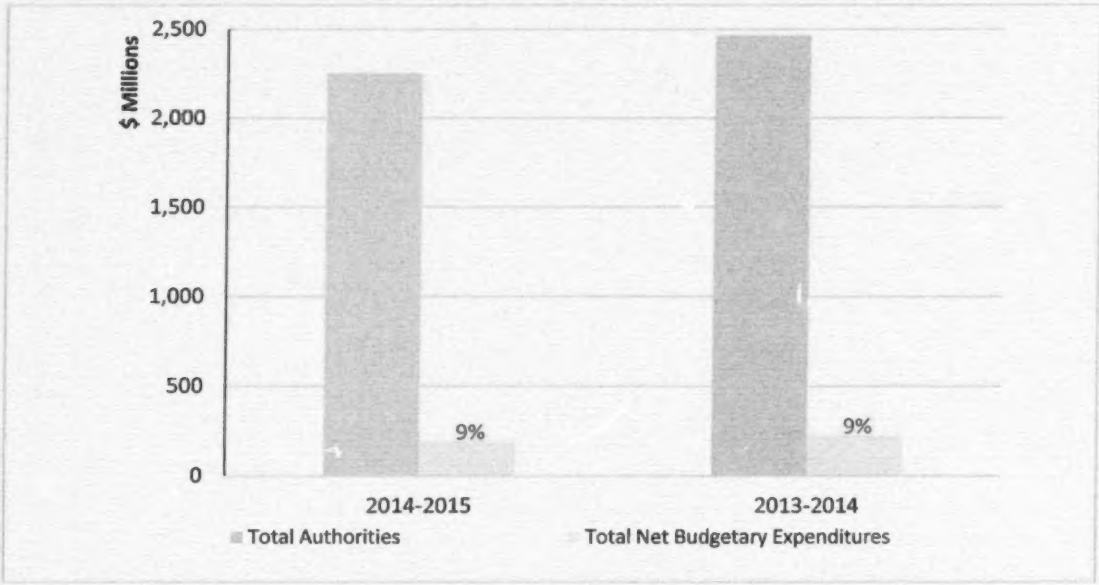

Table 3 presents budgetary expenditures by standard object. The main variance in expenditures between 2014-2015 and 2013-2014 by standard object is in transfer payments, with a decrease of $33.8 million or 49%, of which the majority is related to the statutory expenditure decrease as previously noted for the AgriInvest Program and the *Agricultural Marketing Programs Act*. For personnel, the decrease of $10.4 million is mainly a result of lower payments in salaries due to fewer full-time equivalents. The increase of $13.2 million for Other Subsidies and Payments is due to a one-time transition payment of $13.8 million for implementing salary payment in arrears by the Government of Canada. For the other standard objects, variances compared to the first quarter of 2013-2014 reflect timing of payments rather than significant changes in spending patterns.

AAFC has total Revenue Spending authority of up to $65.5 million for 2014-2015. The revenue is generated from collaborative research agreements between AAFC and third parties, the grazing and breeding activities of the Community Pastures Program, the administration of the AgriStability Program, as well as recoveries for costs related to Internal Support Services

provided to other departments. The Department has generated $10.9 million in revenues up to the end of the first quarter of 2014-2015 compared to $6.5 million for the same period last year. The revenue increase of $4.4 million is a result of an increase in the number of research collaborative agreements under the AgriInnovation Program of *Growing Forward 2 (GF2)*, compared to 2013-2014, as well as from a new Services Agreement with Environment Canada for the provision of Internal Services.

Table 3: Budgetary Expenditures by Standard Object (In thousands of dollars) (1)

Expenditures	2014-15	2013-14	Variances	%
Personnel	124,446	134,877	(10,431)	(8%)
Transportation and communications	1,571	2,255	(684)	(30%)
Information	660	658	2	0%
Professional and special services	14,713	14,485	228	2%
Rentals	835	386	449	116%
Repairs and maintenance	3,195	2,291	904	39%
Utilities, materials and supplies	6,118	5,725	393	7%
Acquisition of land, buildings and works	403	760	(357)	(47%)
Acquisition of machinery and equipment	2,166	3,572	(1,406)	(39%)
Transfer payments	35,888	69,713	(33,825)	(49%)
Other subsidies and payments	15,201	1,987	13,214	665%
Total Gross Budgetary Expenditures	**205,196**	**236,709**	**(31,513)**	**(13%)**
Less: Revenues netted against expenditures	10,943	6,533	4,410	68%
Total Net Budgetary Expenditures	**194,253**	**230,176**	**(35,923)**	**(16%)**

Note:
(1) Totals may not add due to rounding.

Risks and Uncertainties

AAFC is adjusting its operations to align with changes in actual funding levels. There are several factors that are impacting the level of resources, including the ending of the Agricultural Flexibility Program, the Budget 2014 Operating Budget Freeze, and the *Growing Forward 2 (GF2)* emphasis on funding for innovation and to help the industry to compete more effectively in domestic and global markets.

Significant changes in relation to operations, personnel and programs

Operations

In addition to Budget 2012 Implementation activities discussed below, in May 2013, AAFC announced further changes which continued its transformation agenda and identified

efficiencies to allow it to operate within a reduced budget envelope and with fewer full-time equivalents (FTEs) in future years.

In line with the transformation initiatives already underway, those changes include: adjusting the way we deliver internal services to find further efficiencies; reducing management layers and streamlining functions within the organization; focusing what we do on the global stage to generate market growth; and consolidating expertise to focus our science and research on the highest priorities for the sector's success.

Personnel

Ms. Andrea Lyon was appointed Deputy Minister of Agriculture and Agri-Food Canada, effective April 28, 2014.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

AAFC has achieved annual savings of $253.2[1] million by realigning its business in the following ways:

- Advancing our service excellence agenda, by consolidating all programs into a single programs branch.
- Establishing a new science and technology branch by putting together our research, science and environmental efforts, to better facilitate innovation, technology transfer and adoption.
- Achieving greater policy integration across the Department to improve our advice and analysis.
- Aligning programs and services to meet priorities.
- Continuing to look at ways with our provincial and territorial partners to improve farm income programming.

This approach builds on steps already taken by AAFC to help position AAFC to meet its future goals and priorities while contributing to the government's return to a balanced budget.

[1] The achieved annual savings of $253.2 million by 2014-2015 is the total savings of $252.8 million for AAFC, as well as $0.1 million for the Canada Agriculture Review Tribunal (CART) and $0.3 million for Farm Products Council of Canada (FPCC).

AGRICULTURE AND AGRI-FOOD CANADA
Quarterly Financial Report
For the quarter ended June 30, 2014

Approval by Senior Officials
Approved by:

Andrea Lyon, Deputy Head

Ottawa, Canada

August 20, 2014

Pierre Corriveau, Chief Financial Officer

AGRICULTURE AND AGRI-FOOD CANADA
Statement of Authorities *(unaudited)*
For the quarter ended June 30, 2014
(In thousands of dollars)

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Total available for use for the year ending March 31, 2015 [2]	Used during the quarter ended June 30, 2014	Year to date used at quarter-end	Total available for use for the year ended March 31, 2014 [2]	Used during the quarter ended June 30, 2013	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	$ 544,949	$ 140,693	$ 140,693	$ 639,591	$ 140,792	$ 140,792
Vote 5 - Capital expenditures	27,872	1,213	1,213	27,872	1,431	1,431
Vote 10 - Grants and contributions	365,352	12,106	12,106	446,925	19,755	19,755
Budgetary statutory authorities [3]	1,316,490	40,241	40,241	1,351,699	68,198	68,198
Total Budgetary authorities	2,254,664	194,253	194,253	2,466,087	230,176	230,176
Total authorities	$ 2,254,664	$ 194,253	$ 194,253	$ 2,466,087	$ 230,176	$ 230,176

Notes:

(1) Totals may not add due to rounding.
(2) Includes only Authorities available for use and granted by Parliament at quarter-end.
(3) Details on Budgetary statutory authorities are included in Appendix A.

AGRICULTURE AND AGRI-FOOD CANADA

Departmental budgetary expenditures by Standard Object *(unaudited)*

For the quarter ended June 30, 2014

(In thousands of dollars)

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30 , 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
Expenditures:						
Personnel	$ 494,738	$ 124,446	$ 124,446	$ 552,291	$ 134,877	$ 134,877
Transportation and communications	12,193	1,571	1,571	22,835	2,255	2,255
Information	6,482	660	660	7,799	658	658
Professional and special services	102,776	14,713	14,713	117,498	14,485	14,485
Rentals	4,192	835	835	4,581	386	386
Repair and maintenance	16,056	3,195	3,195	25,910	2,291	2,291
Utilities, materials and supplies	35,611	6,118	6,118	48,517	5,725	5,725
Acquisition of land, buildings and works	4,026	403	403	4,646	760	760
Acquisition of machinery and equipment	24,247	2,166	2,166	23,226	3,572	3,572
Transfer payments	1,610,636	35,888	35,888	1,712,871	69,713	69,713
Other subsidies and payments	9,188	15,201	15,201	12,184	1,987	1,987
Total gross budgetary expenditures	2,320,144	205,196	205,196	2,532,358	236,709	236,709
Less Revenues netted against expenditures:						
Vote-netted revenues	65,480	10,943	10,943	66,271	6,533	6,533
Total Revenues netted against expenditures	65,480	10,943	10,943	66,271	6,533	6,533
Total net budgetary expenditures	$ 2,254,664	$ 194,253	$ 194,253	$ 2,466,087	$ 230,176	$ 230,176

Note:

(1) Totals may not add due to rounding.

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2014

(*In thousands of dollars*)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
Contributions to employee benefit plans	$ 69,625	$ 17,406	$ 17,406	$ 81,836	$ 19,158	$ 19,158
Minister of Agriculture and Agri-Food - Salary and motor car allowance	80	20	20	79	20	20
Contribution payments for the AgriStability program	219,300	(2,690)	(2,690)	219,300	(8,619)	(8,619)
Contribution payments for the AgriInsurance program	640,800	2,408	2,408	640,800	6,213	6,213
Grant payments for the AgriInvest program	126,200	24,840	24,840	126,200	39,404	39,404
Payments in connection with the *Agricultural Marketing Programs Act*	65,900	(217)	(217)	94,000	13,895	13,895
Grant payments for the AgriStability program	41,000	(618)	(618)	41,000	(2,211)	(2,211)
Contribution payments for the AgriInvest program	17,500	302	302	17,500	1,612	1,612
Loan guarantees under the *Canadian Agricultural Loans Act*	13,111	(65)	(65)	13,111	(7)	(7)
Canadian Cattlemen's Association Legacy Fund	2,860	-	-	2,500	-	-

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2014

(In thousands of dollars)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
Contributions in support of the Assistance to the Pork Industry Initiative	-	-	-	635	-	-
Grants to agencies established under the *Farm Products Agencies Act*	100	-	-	100	-	-
Contribution payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	118,513	-	-	110,800	46	46
Canadian Pari-Mutuel Agency Revolving Fund	34	(1,232)	(1,232)	(421)	(1,215)	(1,215)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	1,467	263	263	4,260	273	273
Grant payments for the AgriInvest Kickstart program	-	(15)	(15)	-	(3)	(3)
Contribution payments for the AgriInvest Kickstart program	-	(6)	(6)	-	-	-
Refunds of amounts credited to revenues in previous years	-	1	1	-	4	4
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	(132)	(132)	-	(197)	(197)
Class grant payments for the Transitional Industry Support program	-	(2)	(2)	-	(1)	(1)

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2014

(*In thousands of dollars*)

APPENDIX A

	Fiscal year 2014-2015 [1]			Fiscal year 2013-2014 [1]		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
Class grant payments for the Farm Income program	-	-	-	-	(2)	(2)
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(20)	(20)	-	(59)	(59)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	-	-	-	(107)	(107)
Grants in support of the Grain and Oilseed Payment program	-	(1)	(1)	-	(6)	(6)
Grants in support of the Cost of Production Benefit	-	(1)	(1)	-	-	-
Budgetary statutory authorities	$ 1,316,490	$ 40,241	$ 40,241	$ 1,351,699	$ 68,198	$ 68,198

Note:

(1) Totals may not add due to rounding.